



U.S.-KOREA TRADE AGREEMENT

Oregon Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Oregon's agricultural products, including beef, dairy, and wheat. Oregon's agricultural exports to all countries, estimated at \$1.3 billion in 2009, supported about 10,700 jobs, both on and off the farm. These export sales make an important contribution to Oregon's farm economy, which had total cash receipts of \$3.9 billion in 2009.

Fruits and Fruit Products. Oregon is the nation's fourth largest exporter of fresh and processed fruits totaling \$229 million in 2009. Among the KORUS agreement's benefits to the Oregon fruit industry are:

- Fruits and fruit products gaining immediate duty-free access include cherries, dried apricots, wine, and grape juice with current duties ranging from 15 to 45 percent.
- Many other products such as frozen berries, apricots, and dried plums, will see duties ranging from 30 to 45 percent eliminated in 2 to 10 years.
- Korea's tariff of 45 percent on apples (other than Fuji) and pears (other than Asian varieties) will be eliminated in 10 years.

Cattle and Beef. The cattle and calf industry is the state's second largest source of farm cash receipts and sales reached \$406 million in 2009, or 10 percent of the state's total. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Dairy Products. Oregon's dairy industry accounts for eight percent of farm cash receipts totaling \$305 million in 2009, representing the state's third largest source of farm cash receipts. Under the KORUS agreement:

- Duty-free tariff rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Wheat. State wheat cash receipts were \$260 million in 2009 and exports reached \$159 million. Under the KORUS agreement:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's WTO tariff of 1.8-percent or the 1-percent tariff under its autonomous TRQ.
- Although this tariff differential may be small, it provides a small tariff advantage for U.S. wheat when competing against wheat from Canada and Australia.

Vegetables and Vegetable Products. Oregon ranks eighth in exports of vegetables and vegetable products with shipments valued at \$152 million in 2009. Oregon producers of potatoes, sweet corn, green beans, and other vegetables will have improved market access under this agreement.

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will become duty-free immediately.
- A new 3,000-ton duty-free TRQ for fresh potatoes and a new 5,000-ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- Other products such as carrots, lettuce, dried mushrooms, and sweet corn, with duties ranging from 30 to 45 percent, will have tariffs phased out in either 5 or 10 years.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years while the tariff for lentils will be removed within 10 years.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Oregon to World
Fruit and Fruit Products	\$5,714,000,000	\$229,000,000
Cattle and Beef	\$6,703,000,000	\$16,000,000
Dairy Products	\$2,335,000,000	\$400,000
Wheat	\$8,598,000,000	\$159,000,000
Vegetables and Vegetable Products	\$5,279,000,000	\$152,000,000
Agricultural Total	\$96,632,000,000	\$1,340,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.